Toyota ramps up full-year forecasts as sales recover

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Toyota said it was revising up its sales and profit forecasts for the year as demand recovered qiucker than expected

Toyota on Friday almost doubled its full-year forecasts, saying sales and production were recovering quickly from the coronavirus pandemic, which has shredded the global auto market this year.

Japan's top car maker now projects net profit of 1.42 trillion yen ($137 billion) for the fiscal year to March 2021, up from an earlier estimate of 730 billion yen.

It said full-year sales are now expected to hit 26 trillion yen, against a previous estimate of 24 trillion yen.

Results for the first half appeared sluggish compared with the previous year, with net profit down 45.3 percent at 629.4 billion yen.

But the signs of recovery were clear in the second quarter, with bottom-line profit at 470.5 billion yen against 158.8 billion yen in the previous quarter, when the pandemic was hitting hard.

Carmakers around the world have been battered by the coronavirus crisis, with many relying on government help, as it slammed the global economy into reverse and forced people to stay at home.

But Toyota last week reported both global production and sales hit record highs for September, marking the first gains in nine months.

"I think we were able to recover (in the second quarter)," chief operating officer Kenta Kon told reporters, saying "sales outlets and suppliers made efforts to deliver as many vehicles as possible".

He said the firm also benefited from a "foundation of measures" put in place since the 2008 financial crisis.

"The impact of the pandemic has yet to be fully erased, but Toyota swiftly recovered in the July-September period," said Satoru Takada, auto analyst at TIW, a Tokyo-based research and consulting firm.

"While we can't be too optimistic, both sales and production are still on course to recovery," Takada told AFP ahead of the results.

"Given the severe business environment, Toyota is outperforming its domestic rivals," he added.

Uncertainty ahead

On Thursday, US giant General Motors reported a 72 percent increase in third-quarter profit as it cited strong recoveries in the US and China.

German auto maker Volkswagen also said last week it booked net profit of $3.2 billion in the three months to September, compared with a loss of 1.5 billion euros in the preceding three months.

Toyota's smaller domestic rival Nissan is scheduled to announce its first-half earnings next week, three months after warning of a massive $6.4 billion net loss for the current fiscal year.

Honda is to announce its interim results later in the day.

Japan's auto industry is closely watching the fate of the US presidential election, which may create a negative impact, including on foreign exchange rates, Takada added.

The impact of a return to lockdowns in Europe and tightened restrictions elsewhere as coronavirus infections surge remains to be seen.

"For the last half of the year, we will be carefully monitoring the pandemic situation including lockdown," Kon said.

"We can't fully predict what's ahead for the full year. We want to carefully monitor the coronavirus situation."

Toyota shares ended up 0.5 percent on the Tokyo Stock Exchange.

Toshikazu Horiuchi, a broker at IwaiCosmo Securities, said the market had reacted positively to the results, but warned "a strong yen remains a major concern for Toyota and other auto makers."

Toyota set a foreign exchange rate at 106 yen per dollar for the fiscal year, compared with 103.45 yen in Asian afternoon trade.

A strong yen often clouds the outlook for Japanese exporters as it reduces their profits when they are repatriated.

Toyota President Akio Toyoda sounded a confident note in a press conference, and took aim at rival Tesla, arguing the Japanese automaker was better placed on electric cars.

Tesla, he said, "doesn't have a real kitchen or chef, they're trading a recipe."

"For Toyota, we have a kitchen and a chef... We're taking action and we're a full line-up electric manufacturer with real experience," he added.

"I think we're on step ahead in terms of being chosen in the future."

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